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BEFORE THE ARIZONA CORPORATION COMMISSION

DOCKETED

DEC 14 1999

CARL J. KUNASEK

Chairman

JIM IRVIN

Commissioner

WILLIAM A. MUNDELL

Commissioner

DOCKETED BY

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IN THE MATTER OF THE NOTICE OF)
PROPOSED AMENDMENTS TO THE)
ARIZONA UNIVERSAL SERVICE FUND)
_____)

DOCKET NO. RT-00000H-97-0137

DECISION NO. 62127ORDER

Open Meeting
December 7 and 8, 1999
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. The Arizona Universal Service Fund ("AUSF") was established by Decision No. 56639 (dated September 22, 1989) and was designed to help offset high basic local telephone rates in rural areas. One half of the funding was derived from local exchange carriers based on the number of access lines, and one half of the funding was derived from interLATA and intraLATA intrastate minutes of use. U S WEST Communications, Inc. (U S WEST) was designated a Plan Administrator.

2. Any company requesting Universal Service funding must first have received authorization from the Commission in a rate case or other method as the Commission may prescribe. To date, only Citizens Telecommunications Company of the White Mountains, Inc. (Citizens) is receiving universal service fund money in the amount of \$775,620 annually. (Decision No. 55657, October 10, 1989.)

3. On June 23, 1995, the Commission issued Decision No. 59124, approving new rules for competitive telecommunications services. A.A.C. R14-2-1113 of the competitive rules required that the Commission establish an intra-state universal service fund to assure the continued availability of basic telephone service at reasonable rates.

1 4. On March 24, 1996, the Commission adopted Arizona Universal Service Fund
2 Rules A.A.C. R14-2-1201 through R14-2-1217 establishing a new universal service fund
3 mechanism. The AUSF rules expanded the types of telecommunications providers that
4 contribute to the AUSF and revised the eligibility criteria for drawing from the fund.

5 5. Under the new rules, the AUSF is funded by all telecommunications service
6 providers that interconnect with the public switched network. A.A.C. R14-2-1204(A). One half
7 of the AUSF funding requirement is collected through a surcharge paid by providers of basic
8 local exchange service, wireless, paging, and other Commercial Mobile Radio Service providers
9 that interconnect with the public switched network. These entities are known as Category One
10 providers. A.A.C. R14-2-1204(B)(1). One half of the funding requirements are collected from
11 providers of intrastate toll service. These entities are known as Category Two providers. A.A.C.
12 R14-2-1204(B)(2).

13 6. The AUSF surcharge is equal to the total Category One funding requirement,
14 divided by the total number of access lines and interconnecting trunks that were in service for a
15 Category One providers as of October 1 of the previous year, A.A.C. R14-2-1204(B)(1)(a), plus
16 a growth factor calculated at half of the estimated annual percentage growth in access lines.
17 A.A.C. R14-2-1205(B). For Category Two providers, the surcharge is a percentage of the
18 Category Two AUSF funding requirement equal to that provider's share of the total intrastate toll
19 revenue for the previous year ending July 31, A.A.C. R14-2-1204(B)(2)(a), plus a growth factor
20 calculated at half of the estimated annual percentage growth in toll revenues. A.A.C. R14-2-
21 1205(B). Providers offering both Category One and Category Two services are assessed
22 charges based on both the number of access lines and percentage of toll revenues. A.A.C. R14-
23 2-1404(B)(2).

24 7. The AUSF rules mandate that a new Plan Administrator be put in place no later
25 than July 1, 1997. On February 11, 1997, the National Exchange Carriers Association (NECA)
26 was selected to administer the expanded AUSF on behalf of the Commission for the three years
27 ending December 31, 1999. NECA is a not-for-profit association whose principle mission is to
28 manage programs designed to accomplish universal telephone service goals. Staff is in the

1 process of signing an agreement with NECA to administer the expanded AUSF on behalf of the
2 Commission for the three years ending December 31, 2002.

3 8. NECA requested data from all Arizona telecommunications providers for use in
4 calculating the surcharges that would be applied to all telecommunication providers for 1997.
5 Based on NECA's calculations, the 1997 monthly surcharge for Category One providers from
6 June through December was set at \$0.024586 per access line and \$0.25386 per trunk line; for
7 Category Two providers the 1997 monthly surcharge was set at 0.2958 percent of toll revenue.
8 (Decision No. 60169, April 18, 1997.) The collection of these amounts from June through
9 December 1997, raised sufficient funding to cover the amount of AUSF funding that Citizens
10 was authorized to receive.

11 9. NECA requested data from all Arizona telecommunications providers for use in
12 calculating the surcharges that would be applied to all telecommunication providers for 1998.
13 Based on NECA's calculations, the 1998 monthly surcharge for Category One providers from
14 January through December was set at \$0.013450 per access line and \$0.13450 per trunk line; for
15 Category Two providers the 1998 monthly surcharge was set at 0.1881 percent of toll revenue.
16 (Decision No. 60547, December 18, 1997.)

17 10. NECA requested data from all Arizona telecommunications providers for use in
18 calculating the surcharges that would be applied to all telecommunications providers for 1999.
19 Based on NECA's calculations, the 1999 monthly surcharge for Category One providers from
20 January through December was set at \$0.012110 per access line and \$0.12110 per trunk line; for
21 Category Two providers the 1999 monthly surcharge was set at 0.1391 percent of toll revenue.
22 (Decision No. 61288, December 14, 1998.)

23 11. NECA calculated that the monthly surcharge for Category One providers is
24 \$0.011593 per access line and \$0.115932 per trunk line for 2000; for Category Two providers
25 the 2000 monthly surcharge is 0.1293 percent of toll revenue for 2000. The collection of these
26 amounts during the year 2000 will raise sufficient funding to cover the amount of AUSF funding
27 that Citizens has been authorized to receive.

28 ...

12. Staff has reviewed the proposed monthly surcharges for the year 2000 and finds them to be just and reasonable and in the public interest, and therefore recommends approval with 2000 monthly fund contributions to commence January 20, 2000.

CONCLUSION OF LAW

1. The Commission has the authority to authorize pursuant to A.R.S. §§ 40-202, -203, -204, -250, -321, -322, -328, -329, -331, -332, -361, -365, and -367; the Arizona Constitution, Article 15, sections 1, 2, 3, 4, 6, 7 and 9; and the Arizona Universal Service Fund Rules, A.A.C. R14-2-1201 through R14-2-1217.

2. The Commission has jurisdiction over the subject matter.

3. The surcharges for the year 2000 for Category One and Category Two providers meet the requirements of the AUSF rules, are just and reasonable and in the public interest.

ORDER

THEREFORE, IT IS ORDERED that the monthly Arizona Universal Service Fund surcharge for Category One providers is \$0.011593 per access line and \$0.115932 per trunk line for the year 2000.

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1 IT IS FURTHER ORDERED that the monthly Arizona Universal Service Fund surcharge
2 for Category Two providers is 0.1293 percent of toll revenue for the year 2000.

3 IT IS FURTHER ORDERED that this Decision shall become effective immediately, with
4 monthly fund contributions beginning January 20, 2000.

5
6 **BY ORDER OF THE ARIZONA CORPORATION COMMISSION**

7 
8 CHAIRMAN

COMMISSIONER


COMMISSIONER

9
10 IN WITNESS WHEREOF, I, BRIAN C. McNEIL,
11 Executive Secretary of the Arizona Corporation
12 Commission, have hereunto, set my hand and caused the
13 official seal of this Commission to be affixed at the Capitol,
14 in the City of Phoenix, this 14th day of December 1999.

15 
BRIAN C. McNEIL
Executive Secretary

16
17 DISSENT 

18 DRS:KFR:mmm\CCK
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